

***Northland Regional Landfill Limited
Partnership
Statement of Intent***

For the year 1 July 2020 to 30 June 2021

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1 Introduction

Following a competitive process seeking requests for proposals, NRLLP was formed on 2 July 2009 and purchased the consented Puwera landfill site and Re-Sort resource recovery park from Whangarei District Council (WDC).

The Northland Regional Landfill Limited Partnership (NRLLP) comprises two limited partners; Whangarei District Council (WDC) and Northland Waste Limited (NWL). The General Partner is Whangarei Waste Limited (WWL).

The operation is governed by a joint venture agreement under which neither party has absolute control of the organisation but is deemed a Council Controlled Trading Organisation (CCTO) by virtue of the Local Government Act (LGA).

2 Purpose of the Statement of Intent

This statement of intent is prepared in accordance with section 64 of the Local Government Act 2002 (LGA). It outlines the activities and intentions of NRLLP for the next three financial years, and the objectives to which those activities will contribute. It provides a basis for which the General Partner can be held accountable to the Limited Partners for the performance of the organisation.

3 Purpose of the Organisation

NRLLP is a for-profit entity operating as a best practice business financially, environmentally, socially and culturally.

The overarching purpose of NRLLP is to operate the Puwera landfill and provide waste disposal facilities in the Whangarei District.

4 Nature and Scope of Activities

4.1 Activities Provided

The nature of the activities that NRLLP provides currently includes the following:

- To own and operate disposal facilities including haulage of conforming waste to the Puwera landfill.
- To undertake post-closure responsibilities including capping, contouring and monitoring of the Puwera landfill.
- To own, operate and manage Re-Sort and Puwera Landfill.
- To conduct other waste collection and disposal activities as the parties agree shall be dealt with by the Limited Partnership from time to time.
- To promote and conduct recycling and waste diversion activities within the operating area and investigate and develop further diversion opportunities, consistent with the organisation's profit objectives.

4.2 Community Outcome Support

NRLLP will operate to meet reasonable community expectations, and as supported by the WDC vision, where this is acceptable to both Shareholders/Limited Partners and does not impact on primary objectives or existing agreements.

4.3 Additional Legislation

The partnership is constituted under the Limited Partnership Act 2008 and is governed by the limited partnership agreement dated 30 June 2009 which may be amended from time to time by agreement between the partners.

The management of the partnership is undertaken by WWL, a company registered under the Companies Act 1993.

5 Approach to Governance

5.1 Structure

NRLLP is a council-controlled trading organisation as defined by section 6 of the LGA and is a 50/50 partnership between the two limited partners WDC and NWL. The operation is governed by a limited partnership agreement.

The general partner, WWL, is jointly owned by WDC (Group A shares) and NWL (Group B shares). The company is governed by four directors, two group A directors and two group B directors appointed by the respective shareholders. No remuneration is paid by the company to the directors, the shareholders will pay the directors appointed by them as they see fit. A quorum consists of one group A director and one group B director.

5.2 Associated Interests of Partners

The parties have additional interests that are associated with the partnership. These include:

- Waste from WDC domestic collections and rural transfer stations contribute to the Puwera and Re-Sort waste streams.
- NWL and related companies' collection operations acquire waste from throughout Whangarei, Far North and North Auckland which contribute to Puwera waste streams.
- WDC awarded the Whangarei District solid waste collection and recycling collection contracts to NWL, following a competitive tender process. The contracts run from 1 July 2018 for a 5+2+2 term.
- Quay Contracting Limited (QCL) is a subsidiary of NWL. QCL undertook the initial design and build of the landfill. It currently undertakes the design, development and operation of Puwera and Re-Sort.
- WWL, as general partner, is responsible for the management and business of the partnership. It has contracted QCL to perform this function under a management agreement.

5.3 Advisory Committee

The NRLLP Advisory committee function is to review any conflicts of interest, consult with WWL, and to be updated on the business affairs of NRLLP. The committee includes:

- Vince Cocurullo – appointed by WDC
- Shelley Deeming – appointed by WDC
- Warwick Syers – appointed by NWL
- Ray Lambert – appointed by NWL

5.4 Board of Directors

The WWL board of directors meet monthly to govern the management of the partnership, the board includes:

- Gregory Martin – appointed by WDC
- Alan Adcock – appointed by WDC
- Warwick Syers – appointed by NWL
- Raymond Lambert – appointed by NWL

6 Objectives

- 6.1 The long term objectives of the partnership are set out in the partnership agreement and are included in Appendix 1 of this document.
- 6.2 Specific major focus for years ended 30 June 2021, 2022 and 2023:
 - a. Utilising any improved and proven technology to streamline transaction processes

- b. Preparation, and application for, increasing the consented size and life of the landfill
- c. Diverting re-usable and recyclable material from ReSort general waste stream where financially viable
- d. Sell or utilise the landfill gas streams when economically viable
- e. Construct and manage the landfill to prevent any breaches of resource consent conditions.
- f. Manage the financial aspects of the organisation to ensure a satisfactory annual distribution to the partners

7 Performance Targets and Measures

The following measures apply for each of years ended 30 June 2021, 2022 and 2023-

- To open both the Puwera Landfill and Re-Sort facilities for a minimum of 40 hours each week.
- NRLLP to ensure that its principal contractor employed to run Puwera and Resort maintains health and safety systems to enable retention of Safe Plus branding
- Ensure no notifiable health and safety incidents occur at all operational sites owned by NRLLP
- Ensure Resort facilitates a minimum of 40% diversion away from landfill of all material being handled through the site
- Maintain compaction of 0.7 tonnes of placed refuse per cubic metre of airspace used.
- Ensure 6 months landfill capacity is maintained at all times
- Achieve a minimum of 70% landfill gas destruction

8 Information to be Provided Throughout the Financial Year

Due to the commercial sensitivity of the business operations financial information is strictly confidential and only available to management of both WDC and NWL

8.1 Half-yearly Report

The half-yearly report will be provided to the management of the shareholders/limited partners within 2 months of the first half of the financial year ending (29 February 2021). It will include:

- A comparison of performance against the performance targets and measures set out in the statement of intent.
- Un-audited financial statements including a statement of financial position, statement of financial performance and statement of movements in equity.

8.2 Annual Report

The annual report will be provided to the management of the shareholders/limited partners within 3 months of the financial year ending (30 September 2021). The annual report will include all the information necessary to enable an informed assessment of operations, including:

- Audited financial statements for the financial year including; a statement of financial position, a statement of comprehensive income.
- A comparison of the performance targets and measures outlined in this statement of intent, and the actual performance of NRLLP for the financial year.
- Any material variances from the expected performance of NRLLP, and explanations for those variances.
- An independent auditor's report on the financial statements and the performance targets and other measures by which NRLLP's performance against its objectives may be judged.

- Other statements as may be necessary to fairly reflect the financial position of the Company, the resources available, and the financial results of the operations.

8.3 Annual Financial Estimates

Annual financial estimates (budgets) for operational activities and capital expenditure to be provided to the management of the shareholders/limited partners.

8.4 Annual Draft SOI

The Annual Draft SOI (Statement of Intent) shall be sent to the WDC and to NWL no later than 28 February each year.

8.5 No Surprises Approach

To ensure there is timely notification of any major issues, NRLLP commits to a no surprises approach beyond the formal reporting requirements. This means that WWL will immediately communicate, by email, any issues that may trigger public interest, have political implications, or gain significant media attention to the Advisory Committee and to both shareholders/limited partners.

9 Compensation Sought or Obtained

It is expected there will be no activities for which the board will seek compensation.

10 Procedures in Relation to Acquiring Shares

Partners will not acquire shares in any other similar organisation within the operating area without the prior written agreement of both joint venture partners. It is acknowledged that NWL and associated companies operate waste collection and disposal services throughout New Zealand.

11 Ratio of Consolidated Partners Funds to Total Assets

Partners' funds mean capital contribution from partners. Total assets mean the book value of all assets of the partnership.

At 30 June 2019, net equity (partner funds) was \$18.64M, liabilities \$16.03M and assets \$34.67M. The ratio of partners funds to total assets was 66%.

12 Accumulated Profits and Capital Reserves

All profits are allocated to partners current accounts effective balance date. Unrealised capital gains are held in revaluation reserve and classified as equity.

13 Estimate of the Commercial Value of the Partners Investment

It is not proposed to seek an independent assessment of the commercial value of the entity.

14 Forecast Financial Statements

Under the LGA council-controlled organisations that are not trading organisations are required to include forecast financial statements.

NRLLP is a trading organisation, and prospective financial statements are not included due to the commercial sensitivity of the business.

Appendix 1

Extract from WWL NRLLP Shareholders/Limited Partnership Agreement dated 30 June 2009 Long term Objectives for the Limited Partnership

The objectives of the Limited Partnership are to:

- (a) Develop and operate the Puwera Landfill so that it is capable of serving the Waste disposal needs of the Shareholders and the Partners to the Limited Partnership and the Northland Region and providing competitive Waste disposal services to third party Waste operators and other local authorities within the Operating Area in an environmentally sound and economically efficient manner and in accordance with all relevant resource consents.
- (b) Operate as a successful business including achieving sufficient earnings to support the continued operations of the Limited Partnership and to achieve an appropriate risk adjusted return on investment;
- (c) Manage the Waste stream so enough Waste is secured to ensure that the Landfill is operated to its commercial advantage taking into account the benefits of maximising the life of the Landfill and financial return to the Shareholders and the Partners to the Limited Partnership.
- (d) Ensure construction and operation of the Landfill is undertaken in such a manner as to maximise the life of the Landfill, both for Stage One of the Landfill as contemplated by the existing resource consents and for any future stages.
- (e) Operate the ReSort:RRP as a transfer station to serve the needs of the Whangarei District in an environmentally sound and economically efficient manner and in so doing ensure that current levels of service, including services such as Hazardous Wastes collection and vegetation separation, are maintained with operations to be undertaken using the best practicable option.
- (f) Promote Waste Minimisation where it is financially viable to do so.
- (g) Be responsive to the market demand for its services in terms of the criteria of quantity, quality and price.
- (h) Develop business plans consistent with WDC's Waste Management and Minimisation Plan and all relevant statutory and regulatory obligations.
- (i) Behave in an environmentally sustainable manner by promoting and maintaining the standards of environmental protection applied by the RMA and to minimise the impact of its activities on the environment.
- (j) Comply with relevant provisions of the LGA applying to a CCTO.
- (k) Promote and maintain standards of health and safety in accordance with all applicable statutes and regulations, and including best practice.
- (l) Act as a good employer and effectively manage staff.
- (m) Commit to consult with and be sensitive to the concerns of the Landfill and ReSort:RRP host communities.
- (n) Act as a good corporate citizen with regard to its business dealings and relations with key stakeholders and tangata whenua and the Northland community.
- (o) Be customer focussed and ensure good customer relationships and service provision.
- (p) Enter into and manage procurement contracts to deliver the Limited Partnership's services.
- (q) Maximise long run economic and environmental benefits to key stakeholders.

Appendix 2: Statement of Accounting Policies

Reporting Entity

Northland Regional Landfill Limited Liability Partnership (the Partnership) is a joint venture between Whangarei District Council and Northland Waste Limited as limited partners and Whangarei Waste Limited as a general partner.

The Partnership is domiciled in New Zealand and is a council-controlled trading organisation as defined under section 6 of the Local Government Act 2002, by virtue of Council's right to appoint 50% of the directors to the Board and the corresponding voting rights controlled by Council.

The primary objective of the Partnership is to provide waste facilities in the Whangarei District.

The financial statements for the Partnership are for the year ended 30 June 2019, and were approved by the general partner on 2 October 2019. The entity's owners and others have no power to amend the financial statements after issue.

Basis of preparation

Statement of compliance

The financial statements of the Partnership have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with generally accepted practice in New Zealand (NZ GAAP). The partnership is a Tier 2 RDR (Reduced Disclosure Regime) reporting entity by virtue of not being publicly accountable and has expenses of less than \$30 million.

The financial statements comply with NZ IFRS (International Financial Reporting Standards) RDR and other applicable Financial Reporting Standards, as appropriate for profit oriented entities.

Measurement base

The financial statements have been prepared on a historical cost basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars. The functional currency of the Partnership is New Zealand dollars (NZ\$).

Changes in accounting policies

There have been no significant changes in accounting policies during the year.

Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid or, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Any commitments and contingencies are disclosed exclusive of GST.

Income tax

The Partnership incurs no taxation expense of tax liability. Taxation Surplus or Loss is borne by each partner according to profit share arrangements.

Any withholding tax or imputation credits arising from investment income are taken to the respective partners Current Accounts.

Equity

Equity is measured as capital contributions of the Partners; the Current Accounts of the Partners to the extent that they have not been authorised for distribution in the next financial year; and Revaluation Reserves.

Segment reporting

The Partnership operates in one business segment, waste disposal, and in one geographical segment, Northland.

Critical accounting estimates and assumptions

In preparing these financial statements, the Partnership has made estimates and assumptions concerning the future.

These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Aftercare provisioning
- Cell construction